

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Grant</b>	County <b>Newaygo</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>7/28/05</b>	Date Accountant Report Submitted to State: <b>11/8/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**Hendon & Slate P.C.**

Street Address

**711 W Main**

City

**Fremont**

State

**MI**

ZIP

**49412**

Accountant Signature

*Jodi DeKuijper, CPA*

Date

**11/8/05**

**CITY OF GRANT  
NEWAYGO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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# **CITY OF GRANT**

## **City Commission and City Management**

### **List of Principal Individuals**

<u>City Commission</u>	<u>Position</u>
Terry Fett	Mayor
Harry Robinson	Mayor Pro-tem
Anne Pickard	Commission Member
Julie Hallman	Commission Member
Dan Powell	Commission Member
Terri Yeomans	Commission Member
Mike Gesler	Commission Member
<u>City Officials</u>	
Sherry Powell	Clerk
Lori Gardner	Treasurer



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



July 28, 2005

City Commission  
City of Grant  
Newaygo County  
Grant, Michigan 49327

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grant as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grant as of June 30, 2005, and the respective change in financial position and the cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2005, on our consideration of the City of Grant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial

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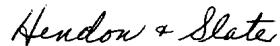


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reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 28 through 30, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grant's basic financial statements. The combining and individual non-major fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Hendon & Slate, P.C.  
Certified Public Accountants  
July 28, 2005

**City of Grant**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2005**

**Using this Annual Report**

As management of the City of Grant, we present to the readers of the City's financial statements this overview and analysis of the financial activities of the City of Grant for the fiscal year ending June 30, 2005. We encourage you to consider the information presented in the financial statements along with the additional information furnished in this letter.

The Governmental-Wide Statement of Net Assets and the Governmental-Wide Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

**Condensed Financial Information**

The table below provides key financial information in a condensed format for the current year, as well previous year data for a comparative analysis of government-wide data. In examining the composition of the net assets portion, the reader should note that the bulk of net assets are invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc). These assets are used to provide services to the residents and are not available to pay salaries, operational expenses, or fund capital projects.

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	<u>Total</u>	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>	<u>Total</u>
<b><u>Assets:</u></b>						
Current Assets	\$234,287	\$255,831	\$490,118	\$337,332	\$301,754	\$639,086
Restricted Assets	\$7,400	\$295,487	\$302,887	-	\$294,258	\$294,258
Net Capital and Other Noncurrent Assets	<u>\$670,690</u>	<u>\$4,481,732</u>	<u>\$5,152,422</u>	<u>\$677,141</u>	<u>\$4,380,956</u>	<u>\$5,058,097</u>
Total Assets	<u>\$912,377</u>	<u>\$5,033,050</u>	<u>\$5,945,427</u>	<u>\$1,014,473</u>	<u>\$4,976,968</u>	<u>\$5,991,441</u>
<b><u>Liabilities:</u></b>						
Current Liabilities	\$20,453	\$9,072	\$29,525	\$25,601	\$12,232	\$37,833
Noncurrent Liabilities	<u>\$130,000</u>	<u>\$933,000</u>	<u>\$1,063,000</u>	<u>\$112,414</u>	<u>\$913,000</u>	<u>\$1,025,414</u>
Total Liabilities	<u>\$150,453</u>	<u>\$942,072</u>	<u>\$1,092,525</u>	<u>\$138,015</u>	<u>\$925,232</u>	<u>\$1,063,247</u>
<b><u>Net Assets:</u></b>						
Invested in Capital Assets, Net of Debt	\$536,786	\$3,568,732	\$4,105,518	\$564,727	\$3,467,956	\$4,032,683
Restricted	\$55,158	\$295,487	\$350,645	\$0	\$294,258	\$294,258
Unrestricted	<u>\$169,980</u>	<u>\$226,759</u>	<u>\$396,739</u>	<u>\$311,731</u>	<u>\$289,522</u>	<u>\$601,253</u>
Total Net Assets	<u>\$761,924</u>	<u>\$4,090,978</u>	<u>\$4,852,902</u>	<u>\$876,458</u>	<u>\$4,051,736</u>	<u>\$4,928,194</u>



	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	<u>Total</u>	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>	<u>Total</u>
<b><u>Revenues:</u></b>						
Program						
Charges for Services	\$32,384	\$280,216	\$312,600	\$41,587	\$294,995	\$336,582
Operating Grants	\$179,696	\$5,763	\$185,459	\$161,842	-	\$161,842
Capital Grants	\$383,911	-	\$383,911	-	-	-
General						
Property taxes	\$169,502	\$81,871	\$251,373	\$216,735	\$29,080	\$245,815
Investment Earnings	\$1,592	\$4,043	\$5,635	\$2,613	\$2,959	\$5,572
Miscellaneous	<u>\$59,896</u>	<u>\$7,742</u>	<u>\$67,638</u>	<u>\$82,468</u>	<u>\$6,625</u>	<u>\$89,093</u>
Total Revenues	\$826,981	\$379,635	\$1,206,616	\$505,245	\$333,659	\$838,904
<b><u>Expenses:</u></b>						
General Government	\$142,971	-	\$142,971	\$155,313	-	\$155,313
Public Safety	\$116,308	-	\$116,308	\$90,995	-	\$90,995
Public Works	\$96,653	-	\$96,653	\$122,966	-	\$122,966
Recreation and Culture	\$3,757	-	\$3,757	\$5,429	-	\$5,429
Unallocated Depreciation	\$23,124	-	\$23,124	\$35,413	-	\$35,413
Interest on Long-Term Debt	\$3,273	-	\$3,273	\$6,406	-	\$6,406
Water Fund	-	\$183,316	\$183,316	-	\$187,934	\$187,934
Sewer Fund	<u>                    </u>	<u>\$184,495</u>	<u>\$184,495</u>	<u>                    </u>	<u>\$184,967</u>	<u>\$184,967</u>
Total Expenses	\$386,086	\$367,811	\$753,897	\$416,522	\$372,901	\$789,423
Change in Net Assets	<u><b>\$440,895</b></u>	<u><b>\$11,824</b></u>	<u><b>\$452,719</b></u>	<u><b>\$88,723</b></u>	<u><b>(\$39,242)</b></u>	<u><b>\$49,481</b></u>

### **The City as a Whole**

- The City's primary source of revenue derives from property taxes, which represents nearly 46% of total General Fund revenues.
- Salaries and payroll taxes are a significant expense of the City, representing 58% of total General Fund expenditures.
- Depreciation expense for the current year represented nearly 29% of the City's total expenses in the water and sewer proprietary funds.
- General Fund expenditures were 88% of revenues, with revenue exceeding expenditures by \$41,138.
- Expenditures for all Governmental Funds were 91% of all revenues.
- The fund balance for the General Fund saw an increase of \$97,894. This reflects the sale of the former library building, as well as \$20,000 budgeted towards the replacement of a DPW truck and \$7,500 towards the replacement of a police vehicle.

- The Local Streets Fund began the year with a fund balance of \$68,911 and ended with \$37,907. This was due largely in part to a summer road improvement project that encompassed the end of this fiscal year and into the beginning of the subsequent fiscal year.
- Both the Water and Sewer Fund's expenditures exceeded revenues. The City passed resolutions to increase water and sewer rates in June of 2005. This is the first step toward fully funding depreciation expenses, and will take three years of similar increases to return these funds to profitability.
- Depreciation expense for the current year represented 34% of the City's total Water and Sewer expenses.

### **Government-Wide Financial Analysis**

Net assets may be used as an indicator of a government's financial health. As of June 30, 2005, the City's net assets from government activities totaled \$876,458 (18%) and \$4,051,736 (82%) from business-type activities, creating a total government-wide net asset total of \$4,928,194. This represents an increase in net assets of \$49,481 (1%) over the previous year.

#### **Governmental Activities**

Governmental activities saw an increase in the City's net assets by \$88,723.

#### **Business-type Activities**

By the end of the fiscal year, the net assets for business-type activities decreased by \$39,242.

### **The City's Funds**

An analysis of the City's major funds follows the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City Commission creates funds to help manage money for specific purposes, to demonstrate compliance with finance-related legal requirements, and to show accountability for certain activities such as special property tax millages. The City's major funds for 2005 include the General Fund, Major and Local Street Funds (Governmental Funds), and the Water and Sewer Funds (Proprietary Funds).

#### **Governmental Funds**

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the city's financing requirements. In particular, unrestricted fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Governmental Funds reported a combined fund balance of \$319,501, which is entirely unrestricted fund balance. This fund balance is comprised of \$225,081 from the General Fund, \$22,144 in the Major Streets Fund, \$37,907 in the Local Streets Fund, \$34,369 in other Non-Major Governmental Funds.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unrestricted fund balance represents 73% of the General Fund expenditures.

**Proprietary Funds**

The City Proprietary Funds provide the same type of information found in the government-wide financial statements, but with more detail. The unrestricted net assets of the Water and Sewer Funds had an overall net decrease of \$39,242, with \$26,838 as a loss in the Water Fund, and \$12,404 as a loss in the Sewer Fund. A careful examination of operating revenues and expenditures for both the Water and Sewer funds reveals an actual operational loss in each fund totaling \$24,931 (Water - \$2,045 and Sewer - \$22,886).

**City Budgetary Highlights**

Over the course of the year, the City Commission amended the budget to take into account events that occurred during the year. The most significant amendments occurred in the General Fund, which reflected an increase of \$55,000 in the sale of assets account due to the sale of the former library building.

**Capital Assets and Debt Administration**

At the end of the fiscal year, the City had \$5,054,794 invested in capital assets for its Governmental and Business-type activities. The governmental activities assets are comprised of land, buildings, improvements, machinery and equipment, vehicles, and infrastructure. The business-type activities assets are comprised of land, buildings, machinery and equipment, and maining and pumping equipment.

**Long Term Debt**

At the end of the fiscal year, the City had total outstanding debt of \$1,025,414, consisting of general obligation bonds and revenue bonds. The general obligation debt of \$112,414 in governmental activities and \$387,000 in business-type activities are backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by the specific revenue sources (water revenue bonds, \$526,000).

**Next Year's Millage Rates**

The City 2005-2006 budget includes a charter operating levy of 10.5262 mills per thousand dollars of taxable value for the purpose of providing funds for the operation of the City. This is the same millage levied in 2004 due to the Headlee millage reduction fraction, which was 1.00 as a direct result of new construction and growth evident throughout the city. Although the mills remain the same, the general fund will see an 11% increase in property tax revenue.

**Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City Clerk at (231) 834-7904.

# CITY OF GRANT

## Government Wide Statement of Net Assets June 30, 2005

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total Primary <u>Government</u>
<b>ASSETS</b>			
Cash	\$ 317,883	\$ 229,457	\$ 547,340
Accounts Receivable	17,744	72,297	90,041
Accounts Receivable - Fiduciary Funds	1,705	-	1,705
Restricted Cash	-	294,258	294,258
Bond Issuance Cost - Net of Amortization	3,303	-	3,303
Net Capital Assets	<u>673,838</u>	<u>4,380,956</u>	<u>5,054,794</u>
Total Assets	<u>1,014,473</u>	<u>4,976,968</u>	<u>5,991,441</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	12,636	1,134	13,770
Accrued Wages and Payroll Taxes	5,195	11,098	16,293
Accrued Absences	7,770	-	7,770
Noncurrent Liabilities			
Due Within One Year	18,404	20,000	38,404
Due in More Than One Year	<u>94,010</u>	<u>893,000</u>	<u>987,010</u>
Total Liabilities	<u>138,015</u>	<u>925,232</u>	<u>1,063,247</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	564,727	3,467,956	4,032,683
Restricted Assets	-	294,258	294,258
Unrestricted	<u>311,731</u>	<u>289,522</u>	<u>601,253</u>
Total Net Assets	<u>\$ 876,458</u>	<u>\$ 4,051,736</u>	<u>\$ 4,928,194</u>

The Notes to the Financial Statements are an integral part of this statement.

# CITY OF GRANT

## Government Wide Statement of Activities June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Changes in Net Assets		
		Services	Operating Charges for Contributions	Capital Grants and Contributions	Primary Government		
					Grants and Activities	Governmental Activities	Business-type Total
Primary Government:							
Governmental Activities:							
General Government	\$ 155,313	\$ 41,587	\$ 104,609	\$ -	\$ (9,117)	\$ -	\$ (9,117)
Public Safety	90,995	-	-	-	(90,995)	-	(90,995)
Public Works	122,966	-	57,233	-	(65,733)	-	(65,733)
Recreation and Culture	5,429	-	-	-	(5,429)	-	(5,429)
Unallocated Depreciation	35,413	-	-	-	(35,413)	-	(35,413)
Interest on Long-Term Debt	<u>6,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,406)</u>	<u>-</u>	<u>(6,406)</u>
Total Governmental Activities	416,522	41,587	161,842	-	(213,093)	-	(213,093)
Business-type Activities:							
Water	187,934	159,189	-	-	-	(28,745)	(28,745)
Sewer	<u>184,967</u>	<u>142,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,536)</u>	<u>(42,536)</u>
Total Business-type Activities	<u>372,901</u>	<u>301,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,281)</u>	<u>(71,281)</u>
Total	789,423	343,207	161,842	-	(213,093)	(71,281)	(284,374)
General Revenues:							
Property Taxes					216,735	29,080	245,815
Interest					2,613	2,959	5,572
Miscellaneous					26,888	-	26,888
Special Item - Gain on sale of building					<u>55,580</u>	<u>-</u>	<u>55,580</u>
Total General Revenues and Transfers					301,816	32,039	333,855
Change in Net Assets					88,723	(39,242)	49,481
Net Assets - Beginning - Note M					787,735	4,090,978	4,878,713
Net Assets - Ending					\$ 876,458	\$ 4,051,736	\$ 4,928,194

The Notes to the Financial Statements are an integral part of this statement.

# CITY OF GRANT

## Governmental Fund Balance Sheet June 30, 2005

	General <u>Fund</u>	Major Streets <u>Fund</u>	Local Streets <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>					
Cash	\$ 217,965	\$ 18,760	\$ 46,789	\$ 34,369	\$ 317,883
Accounts Receivable	13,002	3,384	1,358	-	17,744
Due from Other Funds	<u>1,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705</u>
Total Assets	<u><u>\$232,672</u></u>	<u><u>\$ 22,144</u></u>	<u><u>\$ 48,147</u></u>	<u><u>\$ 34,369</u></u>	<u><u>\$ 337,332</u></u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 2,396	\$ -	\$ 10,240	\$ -	\$ 12,636
Accrued Wages and Payroll Taxes	<u>5,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,195</u>
Total Liabilities	7,591	-	10,240	-	17,831
<b>FUND BALANCES</b>					
Unrestricted	225,081	22,144	37,907	34,369	319,501
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u><u>225,081</u></u>	<u><u>22,144</u></u>	<u><u>37,907</u></u>	<u><u>34,369</u></u>	<u><u>319,501</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 232,672</u></u>	<u><u>\$ 22,144</u></u>	<u><u>\$ 48,147</u></u>	<u><u>\$ 34,369</u></u>	<u><u>\$ 337,332</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF GRANT**  
Reconciliation of the Balance Sheet  
of Governmental Funds to the Statement of Net Assets  
For the Fiscal Year Ended June 30, 2005

Total Governmental Fund Balances \$ 319,501

Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	883,826
Governmental Accumulated Depreciation	(206,685)

Accrued absences (sick and vacation pay) are recognized in the Fund statements when they mature (when they are due); however these amounts are recognized when they are earned in the statement of net assets. (7,770)

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	<u>(112,414)</u>
-------------------------	------------------

Total Net Assets - Governmental Activities: \$ 876,458

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF GRANT**

Governmental Fund Statements of Revenue, Expenditures  
and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2005

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property Taxes	\$ 159,869	\$ -	\$ -	\$ 56,866	\$ 216,735
Rents	45,902	-	-	-	45,902
State Shared Revenue	104,609	40,847	16,386	-	161,842
Federal Sources	-	-	-	-	-
Charges for Services	9,749	-	-	-	9,749
Interest	2,228	73	310	2	2,613
Miscellaneous	<u>26,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,888</u>
Total Revenues	349,245	40,920	16,696	56,868	463,729
<b>Expenditures</b>					
Legislative	11,276	-	-	-	11,276
General Government	118,281	-	-	-	118,281
Public Safety	85,062	-	-	17,165	102,227
Public Works	58,594	18,156	32,960	9,949	119,659
Recreation and Culture	5,429	-	-	-	5,429
Other Functions	22,885	-	-	-	22,885
Debt Service	-	-	-	23,391	23,391
Capital Outlay	<u>6,580</u>	<u>-</u>	<u>14,740</u>	<u>-</u>	<u>21,320</u>
Total Expenditures	308,107	18,156	47,700	50,505	424,468
Excess Revenues Over (Under) Expenditures	41,138	22,764	(31,004)	6,363	39,261
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In (Out)	(2,250)	(23,414)	-	25,664	-
Proceeds from Long-Term Debt	<u>59,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,006</u>
Total Other Financing Sources (Uses)	<u>56,756</u>	<u>(23,414)</u>	<u>-</u>	<u>25,664</u>	<u>59,006</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	97,894	(650)	(31,004)	32,027	98,267
Fund Balance - Beginning	127,187	22,794	68,911	2,342	221,234
Fund Balance - Ending	\$ 225,081	\$ 22,144	\$ 37,907	\$ 34,369	\$ 319,501

The Notes to the Financial Statements are an integral part of this statement.



## CITY OF GRANT

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 98,267

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlay reported in governmental fund statements	21,320	
Capital outlay reported as expenses in statement of activities	(1,240)	
Depreciation expense reported in the statement of activities	<u>(35,413)</u>	(15,333)

In the Statement of Activities, only the gain on the sale of the old library building is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the land sold. (3,426)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (7,770)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. 17,586

Bond issuance costs are amortized over the life of the long-term debt. The current amount deducted in the Government-wide statements is: (601)

Changes in Net Assets - Governmental Activities \$ 88,723

The Notes to the Financial Statements are an integral part of this statement.

# CITY OF GRANT

## Proprietary Fund Statement of Net Assets June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 77,245	\$ 152,212	\$ 229,457
Accounts Receivable	<u>37,752</u>	<u>34,545</u>	<u>72,297</u>
Total Current Assets	114,997	186,757	301,754
Noncurrent Assets			
Restricted Cash	251,209	43,049	294,258
Net Capital Assets	<u>2,587,824</u>	<u>1,793,132</u>	<u>4,380,956</u>
Total Noncurrent Assets	<u>2,839,033</u>	<u>1,836,181</u>	<u>4,675,214</u>
Total Assets	<u>2,954,030</u>	<u>2,022,938</u>	<u>4,976,968</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	442	692	1,134
Accrued Wages and Payroll Taxes	5,549	5,549	11,098
Current Long Term Debt	<u>8,000</u>	<u>12,000</u>	<u>20,000</u>
Total Current Liabilities	13,991	18,241	32,232
Noncurrent Liabilities			
Long Term Bonds	<u>518,000</u>	<u>375,000</u>	<u>893,000</u>
Total Liabilities	<u>531,991</u>	<u>393,241</u>	<u>925,232</u>
<b>NET ASSETS</b>			
Invested in Capital Assets			
- Net of Debt	2,061,824	1,406,132	3,467,956
Restricted Assets	251,209	43,049	294,258
Unrestricted	<u>109,006</u>	<u>180,516</u>	<u>289,522</u>
Total Net Assets	<u>\$ 2,422,039</u>	<u>\$ 1,629,697</u>	<u>\$ 4,051,736</u>

The Notes to the Financial Statements are an integral part of this statement.

# CITY OF GRANT

## Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Fees	\$ 153,774	\$ 141,221	\$ 294,995
State Grants	-	-	-
Miscellaneous	<u>5,415</u>	<u>1,210</u>	<u>6,625</u>
Total Operating Revenues	159,189	142,431	301,620
<b>Operating Expenses</b>			
Payroll Expenses	52,484	52,484	104,968
Supplies	9,297	14,129	23,426
Professional & Contracted Services	8,693	20,568	29,261
Utilities and Telephone	9,368	16,393	25,761
Property and Workers Comp Insurance	8,647	9,647	18,294
Equipment Rental	8,461	3,456	11,917
Other Operating Expenses	2,349	798	3,147
Depreciation	<u>61,935</u>	<u>47,842</u>	<u>109,777</u>
Total Operating Expenses	<u>161,234</u>	<u>165,317</u>	<u>326,551</u>
Operating Income (Loss)	(2,045)	(22,886)	(24,931)
<b>Non Operating Revenues</b>			
Interest Income	1,907	1,052	2,959
Property Tax/User Fees	-	29,080	29,080
Interest Expense	<u>(26,700)</u>	<u>(19,650)</u>	<u>(46,350)</u>
Total Non Operating Revenue (Expenses)	<u>(24,793)</u>	<u>10,482</u>	<u>(14,311)</u>
Income (Loss)	(26,838)	(12,404)	(39,242)
Total Net Assets - Beginning	<u>2,448,877</u>	<u>1,642,101</u>	<u>4,090,978</u>
Total Net Assets - Ending	<u><u>\$ 2,422,039</u></u>	<u><u>\$ 1,629,697</u></u>	<u><u>\$ 4,051,736</u></u>

The Notes to the Financial Statements are an integral part of this statement.

# CITY OF GRANT

## Proprietary Fund Statement of Cash Flows June 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from Customers	\$ 153,774	\$ 141,221	\$ 294,995
Receipts from Other Sources	5,415	1,210	6,625
Payments for Employees	(52,484)	(52,484)	(104,968)
Payments to Suppliers	<u>(47,424)</u>	<u>(63,856)</u>	<u>(111,280)</u>
Net Cash Provided (Used) by Operating Activities	59,281	26,091	85,372
<b>Cash Flows From Noncapital Financial Activities</b>			
Receipts from Property Taxes	-	29,080	29,080
Receipts from State Sources	-	-	-
Transfers from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	-	29,080	29,080
<b>Cash Flows From Capital and Related Financing Activities</b>			
Principal and Interest on Capital Debt	(34,700)	(31,650)	(66,350)
Change in Restricted Cash	(1,316)	2,545	1,229
Acquisition of Capital Assets	<u>(4,500)</u>	<u>(4,500)</u>	<u>(9,000)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(40,516)	(33,605)	(74,121)
<b>Cash Flows From Investing Activities</b>			
Interest Income	<u>1,907</u>	<u>1,052</u>	<u>2,959</u>
Net Increase (Decrease) in Cash	20,672	22,618	43,290
Balance - Beginning of Year	<u>56,573</u>	<u>129,594</u>	<u>186,167</u>
Balance - End of Year	<u><u>\$ 77,245</u></u>	<u><u>\$ 152,212</u></u>	<u><u>\$ 229,457</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (2,045)	\$ (22,886)	\$ (24,931)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	61,935	47,842	109,777
Change in Assets and Liabilities			
Accounts Receivable	(1,983)	(650)	(2,633)
Accounts Payable	138	551	689
Accrued Expenses	<u>1,236</u>	<u>1,234</u>	<u>2,470</u>
Net Cash Provided by Operating Activities	<u><u>\$ 59,281</u></u>	<u><u>\$ 26,091</u></u>	<u><u>\$ 85,372</u></u>

### Supplemental Information

Cash paid for interest in the Water and Sewer Funds for the year ended June 30, 2005 was \$26,700 and \$19,650 respectively.

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF GRANT**

Statement of Net Assets - Fiduciary Funds  
June 30, 2004

	Trust and Agency Fund
<b>ASSETS</b>	
Cash	<u>\$ 1,705</u>
 <b>LIABILITIES</b>	
Due to Other Units	<u>\$ 1,705</u>
 Total Liabilities	<u>\$ 1,705</u>

The Notes to the Financial Statements are an integral part of this statement.

## CITY OF GRANT

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2005

#### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Grant conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Grant:

The more significant accounting policies of the City are described below.

##### A. Reporting Entity

The City of Grant is governed by an elected seven-member commission (Board).

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's commission, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

##### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are

recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

1. State Shared Revenue Receivable  
State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30<sup>th</sup>; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2005, this amount was \$17,744.
2. Property Taxes Receivable  
The City property tax is levied on each July 1<sup>st</sup> on the taxable valuation of the property (as defined by state statutes) located in the City as of the preceding December 31<sup>st</sup>. The taxes are due on September 14<sup>th</sup> and February 14<sup>th</sup>, with the final collection date of February 28<sup>th</sup> before they are added to the County tax rolls. The 2004 delinquent taxes of \$13,776 were received in June 2005, thus no taxes receivable has been recorded.

The 2004 taxable valuation of the City totaled \$14,794,788, on which ad valorem taxes levied consisted of 10.5262 mills for general operating, .9471 mills for fire operations and equipment; and 2.0 mills for sewer bond debt and 3.0 mills for roads. These taxes raised \$153,921 operating, \$13,812 fire operating, \$29,080 sewer bond debt, and \$43,054 roads. These amounts are recognized in the respective funds as current tax revenues.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for state shared revenue and other revenue sources used to construct and improve the major streets throughout the City.

The Local Streets Fund accounts for state shared revenue used to construct and improve roads throughout the City.

The government reports the following major proprietary funds:

The Water and Sewer Funds account for the equipment, debt, and operating activities of the water and sewer systems respectively.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### 4. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, CD's, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each Fund based upon its pro rata share of cash.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the



following year, at which time penalties and interest are assessed. Delinquent taxes are typically received by the end of the fiscal year.

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. These supplies are typically consumed within one year. There were no material inventories at year-end.

Restricted Assets - The general obligation bonds in the Sewer Fund and Major Streets Fund requires amounts to be set aside for debt service of interest and principal.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure asset cost incurred prior to June 30, 2004 are not included in the financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	25 to 40 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Roads	20 to 30 years
Other Infrastructure	30 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

Compensated Absences (Vacation and Sick Leave) - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. These benefits are considered current liabilities. A liability for one half of unused sick pay and all vacation pay is recorded in the government-wide and proprietary fund financial statements. Compensated absences are not accrued for modified accrual statements.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the

term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City has no restricted fund balance as of June 30, 2005.

#### NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30<sup>th</sup>, the City Commission reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City Community Building to obtain taxpayer comments.
3. Prior to June 30<sup>th</sup>, the budget is legally adopted.
4. The budgets shown in these financial statements are as last amended through June, 2005.
5. P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the activity level for all governmental funds. The City does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>	<u>Difference</u>
Local Streets - Capital Outlay	\$ 4,500	\$ 14,740	\$ 10,240

The above over expenditure occurred because of an audit adjustment. Local streets incurred expenditures for construction of new roads. This amount was budgeted for 05-06. However, some expenditures occurred in 04-05 but were not paid until 05-06 fiscal year, thus creating an adjustment for accounts payable.

#### NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The City's deposits and investment policy are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Equivalents	\$ 317,883	\$ 229,457	\$ 1,705	\$ 549,045
Restricted Assets	<u>-</u>	<u>294,258</u>	<u>-</u>	<u>294,258</u>
Total	<u>\$ 317,883</u>	<u>\$ 523,715</u>	<u>\$ 1,705</u>	<u>\$ 843,303</u>

The bank balance of the primary government's deposits is \$889,027, of which \$499,298 is covered by federal depository insurance. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the City; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Management believes that the investments in the funds comply with the investment authority noted above.

Depositories actively used by the City during the year are detailed as follows:

1. Valley Ridge
2. Fifth Third
3. Independent Bank of West Michigan
4. Choice One

## NOTE D RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
State Shared Revenue	\$ 13,002	\$ 3,384	\$ 1,358	\$ -	\$ -	\$ 17,744
Charges for Services	-	-	-	72,297	-	72,297
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 13,002</u>	<u>\$ 3,384</u>	<u>\$ 1,358</u>	<u>\$ 72,297</u>	<u>\$ -</u>	<u>\$ 90,041</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the City did not incur deferred revenue.

## NOTE E CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 6,422	\$ 5,800	\$ 1	\$ 12,221
Capital Assets Being Depreciated				
Buildings	35,500	4,040	15,500	24,040
Improvements Other than Buildings	98,000	-	-	98,000
Machinery and Equipment	55,515	-	-	55,515
Vehicles	113,900	-	-	113,900
Infrastructure	<u>566,607</u>	<u>10,240</u>	<u>-</u>	<u>576,847</u>
Subtotal	869,522	14,280	15,500	868,302
Less Accumulated Depreciation for				
Buildings	26,500	475	12,075	14,900
Improvements Other Than Buildings	7,840	3,920	-	11,760
Machinery and Equipment	48,600	691	-	49,291
Vehicles	92,896	11,440	-	104,336
Infrastructure	<u>7,511</u>	<u>18,887</u>	<u>-</u>	<u>26,398</u>
Subtotal	<u>183,347</u>	<u>35,413</u>	<u>12,075</u>	<u>206,685</u>
Net Capital Assets Being Depreciated	686,175	(21,133)	(3,425)	661,617
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	692,597	(15,333)	(3,426)	673,838

Notes to the Financial Statements (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	44,642	5,800	-	50,442
Capital Assets Being Depreciated				
Buildings	88,704	3,200	-	91,904
Machinery and Equipment	31,010	-	-	31,010
Maining and Pumping Equipment	<u>5,497,835</u>	<u>-</u>	<u>-</u>	<u>5,497,835</u>
Subtotal	5,617,549	3,200	-	5,620,749
Less Accumulated Depreciation for				
Buildings	88,704	-	-	88,704
Machinery and Equipment	31,010	-	-	31,010
Maining and Pumping Equipment	<u>1,060,744</u>	<u>109,777</u>	<u>-</u>	<u>1,170,521</u>
Subtotal	1,180,458	109,777	-	1,290,235
Net Capital Assets Being Depreciated	4,437,091	(106,577)	-	4,330,514
Business-Type Activities Capital Total				
Capital Assets - Net of Depreciation	4,481,733	(100,777)	-	4,380,956

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>35,413</u>
Total Governmental Activities	<u>\$ 35,413</u>
Business-Type Activities	
Water	\$ 61,935
Sewer	<u>47,842</u>
Total Business-Type Activities	<u>\$ 109,777</u>

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund		Payable Fund	
<u>Due From</u>	<u>Amount</u>	<u>(Due To)</u>	<u>Amount</u>
General Fund	\$ 1,705	Trust & Agency Fund	\$ (1,705)
Transfers In		Transfers (Out)	
<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Transportation Bond Fund	\$ 23,414	Major Streets Fund	\$ (23,414)
Fire Fund	2,250	General Fund	(2,250)

## NOTE G LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balances</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds						
2003 MI Transportation Bond	4.6%	12/1/2010	\$ 130,000	\$ (17,586)	\$ 112,414	\$ 18,404
<b>Business-Type Activities</b>						
General Obligation Bonds						
1992 Sewer Line Bonds	5.0%	10/1/2023	399,000	(12,000)	387,000	12,000
Revenue Bonds						
1994 Water Revenue Bond	5.0%	12/1/2034	534,000	(8,000)	526,000	8,000

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>		<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 18,404	\$ 4,962	\$ 20,000	\$ 45,350
2007	19,261	4,105	22,000	44,325
2008	20,157	3,209	23,000	43,200
2009	21,095	2,271	24,000	42,050
2010	22,076	1,290	25,000	41,325
2011 - 2015	11,421	263	152,000	183,150
2016 - 2020	-	-	196,000	140,175
2021 - 2025	-	-	219,000	86,050
2026 - 2030	-	-	125,000	45,700
2031 - 2035	-	-	107,000	13,450
Total	<u>\$ 112,414</u>	<u>\$ 16,100</u>	<u>\$ 913,000</u>	<u>\$ 684,775</u>

For major streets construction projects, the net proceeds of the 2003 MI Transportation Bond after related fees were \$122,515. A debt service fund was created to pay principal and interest payments.

## NOTE H RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

	<u>Water</u>	<u>Sewer</u>
Bond Debt	\$ 1,641	\$ 3,049
Improvement and Replacement Account	213,568	-
Bond Reserve	36,000	40,000
Total Restricted Assets	<u>\$ 251,209</u>	<u>\$ 43,049</u>

NOTE I RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE J RELATED PARTY TRANSACTIONS

During the current year, the City sold the old library land and building. The City obtained estimated fair market values from different real estate agents. The values ranged from \$62,000 to \$90,000. The City listed the property with Remax Connection. Two offers were brought before Council. Council counter-offered and the City accepted an offer of \$66,000 less commission and fees to receive the net amount of \$59,006. The old library was purchased by the City's Mayor. During the negotiation process, the Mayor abstained from voting on the issue due to his involvement with the purchase.

NOTE K ENDOWMENT FUND

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2005, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$42,428.

NOTE L DEFERRED COMPENSATION PLAN

The City has a deferred compensation plan in accordance with the Internal Revenue Code Section 457. The plan is administered by two separate independent plan administrators through administrative service agreements. Eligible employees are allowed to defer a portion of their salary until future years. In addition, the City has a policy in place to contribute 6% of each employee's gross compensation into the plan after one year of service has been completed. The Clerk has a clause in his contract that states that the City contribute 8% of his gross compensation. All amounts contributed are 100% vested immediately and therefore are the property of the employee as soon as the contributions are made. City contributions for the year ended June 30, 2005 amounted to \$10,668.

The City administers its own cafeteria plan under Internal Revenue Code Section 125(b). Employees may elect to set aside a portion of their income for medical or dependent care purposes. Employees may not withdraw more than they have withheld during the plan year; also, if they do not use the full amount withheld within the plan year, the money becomes the City's funds. At June 30, 2005, the City has withheld \$282, which is expected to be disbursed by the end of the plan year.

NOTE M PRIOR PERIOD ADJUSTMENT

After reviewing the Schedule of Fixed Assets, it appeared the prior year financial statements did not include the sidewalks replaced in 2003-2004 to the infrastructure assets. Therefore, the beginning net assets reported on Page 9 of the financial statements and the beginning infrastructure assets reported on page 23 of the Notes to the Financial Statements reflect an increase of \$25,811 to adjust the beginning amounts to actual.

# CITY OF GRANT

## Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 127,187	\$ 127,187	\$ 127,187	\$ -
Resources (Inflows)				
Property Taxes	164,810	158,160	159,869	1,709
State Shared Revenue	105,500	103,925	104,609	684
Charges for Services	12,850	9,625	9,749	124
Rents	42,500	43,075	45,902	2,827
Interest	1,000	1,500	2,228	728
Miscellaneous	24,700	30,792	26,888	(3,904)
Sale of Capital Assets	<u>-</u>	<u>59,000</u>	<u>59,006</u>	<u>6</u>
Amounts Available for Appropriation	478,547	533,264	535,438	2,174
Charges to Appropriations (Outflows)				
Legislative	9,460	10,701	11,236	(575)
General Government	108,291	118,553	120,361	(1,808)
Public Safety	112,408	91,732	89,562	2,170
Public Works	80,975	58,905	58,594	311
Recreation and Culture	10,700	4,895	5,429	(534)
Other Functions	24,120	23,382	22,885	497
Operating Transfers Out	<u>4,750</u>	<u>2,250</u>	<u>2,250</u>	<u>-</u>
Total Charges to Appropriations	<u>350,704</u>	<u>310,418</u>	<u>310,357</u>	<u>61</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 127,843</u>	<u>\$ 222,846</u>	<u>\$ 225,081</u>	<u>\$ 2,235</u>



# CITY OF GRANT

## Required Supplementary Information Budgetary Comparison Schedule for the Major Streets Fund For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 22,794	\$ 22,794	\$ 22,794	\$ -
Resources (Inflows)				
Federal Grants	-	-	-	-
State Shared Revenue	45,600	44,150	40,847	(3,303)
Interest	25	40	73	33
Miscellaneous	-	-	-	-
Proceeds from Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	68,419	66,984	63,714	(3,270)
Charges to Appropriations (Outflows)				
Routine Maintenance	8,950	6,893	5,499	1,394
Traffic Maintenance	1,000	368	367	1
Winter Maintenance	10,450	11,290	11,290	-
Administration	850	1,000	1,000	-
Construction	-	-	-	-
Operating Transfer Out	<u>23,375</u>	<u>23,415</u>	<u>23,414</u>	<u>1</u>
Total Charges to Appropriations	<u>44,625</u>	<u>42,966</u>	<u>41,570</u>	<u>1,396</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 23,794</u>	<u>\$ 24,018</u>	<u>\$ 22,144</u>	<u>\$ (1,874)</u>

# CITY OF GRANT

## Required Supplementary Information Budgetary Comparison Schedule for the Local Streets Fund For the Year Ended June 30, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 68,911	\$ 68,911	\$ 68,911	\$ -
Resources (Inflows)				
State Shared Revenue	18,265	17,667	16,386	(1,281)
Interest	<u>700</u>	<u>130</u>	<u>310</u>	<u>180</u>
Amounts Available for Appropriation	87,876	86,708	85,607	(1,101)
Charges to Appropriations (Outflows)				
Routine Maintenance	10,700	11,235	13,692	(2,457)
Traffic Maintenance	900	-	-	-
Winter Maintenance	2,800	2,958	2,958	-
Administration	850	1,388	1,387	1
Construction	1,700	14,924	14,923	1
Capital Outlay	<u>-</u>	<u>4,500</u>	<u>14,740</u>	<u>(10,240)</u>
Total Charges to Appropriations	<u>16,950</u>	<u>35,005</u>	<u>47,700</u>	<u>(12,695)</u>
Budgetary Fund Balance - June 30, 2005	<u>\$ 70,926</u>	<u>\$ 51,703</u>	<u>\$ 37,907</u>	<u>\$ (13,796)</u>

# CITY OF GRANT

## Required Supplementary Information Budgetary Comparison Schedule for the Water Fund For the Year Ended June 30, 2005

	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Beginning Year Retained Earnings	\$ 269,112	\$ 2,448,877	\$ 2,448,877	\$ -
Resources (Inflows)				
Charges for Services	143,750	151,325	154,099	2,774
Miscellaneous	800	5,066	5,090	24
Interest	<u>5,200</u>	<u>3,775</u>	<u>1,907</u>	<u>(1,868)</u>
Amounts Available for Appropriation	418,862	2,609,043	2,609,973	930
Charges to Appropriations				
Operating Expenses	107,100	94,035	99,299	(5,264)
Depreciation	61,935	61,935	61,935	-
Interest Expense	<u>26,700</u>	<u>26,700</u>	<u>26,700</u>	<u>-</u>
Total Charges to Appropriations	195,735	182,670	187,934	(5,264)
Budgetary Fund Balance				
June 30, 2005	<u>\$ 223,127</u>	<u>\$ 2,426,373</u>	<u>\$ 2,422,039</u>	<u>\$ (4,334)</u>

# CITY OF GRANT

## Required Supplementary Information Budgetary Comparison Schedule for the Sewer Fund For the Year Ended June 30, 2005

	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Beginning Year Retained Earnings	\$ 232,942	\$ 1,642,102	\$ 1,642,101	\$ (1)
Resources (Inflows)				
Charges for Services	139,500	140,000	141,221	1,221
Miscellaneous	1,000	1,359	1,210	(149)
Property Taxes	29,500	29,015	29,080	65
Interest	<u>1,050</u>	<u>465</u>	<u>1,052</u>	<u>587</u>
Amounts Available for Appropriation	403,992	1,812,941	1,814,664	1,723
Charges to Appropriations				
Operating Expenses	112,635	112,592	117,475	(4,883)
Depreciation	58,000	49,000	47,842	1,158
Interest Expense	<u>19,700</u>	<u>19,650</u>	<u>19,650</u>	<u>-</u>
Total Charges to Appropriations	190,335	181,242	184,967	(3,725)
Budgetary Fund Balance June 30, 2005	<u>\$ 213,657</u>	<u>\$ 1,631,699</u>	<u>\$ 1,629,697</u>	<u>\$ (2,002)</u>

# CITY OF GRANT

## Combining Balance Sheet Non-Major Governmental Funds June 30, 2005

	Special Revenue Funds			Debt Service Fund	Total Non-Major Governmental Funds
	Roads & Right of Ways	Fire	Sidewalk	Transportation Bond	
<b>ASSETS</b>					
Cash	<u>\$ 33,105</u>	<u>\$ 1,051</u>	<u>\$ 176</u>	<u>\$ 37</u>	<u>\$ 34,369</u>
<b>FUND EQUITY</b>					
Fund Balance	<u>\$ 33,105</u>	<u>\$ 1,051</u>	<u>\$ 176</u>	<u>\$ 37</u>	<u>\$ 34,369</u>

# CITY OF GRANT

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Fiscal Year Ended June 30, 2005

	Special Revenue Funds			Debt Service Fund	Total Non-Major Governmental Funds
	Roads & Right of Ways	Fire	Sidewalk	Transportation Bond	
<b>Revenues</b>					
Taxes	\$ 43,054	\$ 13,812	\$ -	\$ -	\$ 56,866
Interest	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>2</u>
Total Revenues	43,054	13,812	1	1	56,868
<b>Expenditures</b>					
Public Safety	-	17,165	-	-	17,165
Public Works	9,949	-	-	-	9,949
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,391</u>	<u>23,391</u>
Total Expenditures	<u>9,949</u>	<u>17,165</u>	<u>-</u>	<u>23,391</u>	<u>50,505</u>
Excess Revenue Over Expenditures	33,105	(3,353)	1	(23,390)	6,363
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In (Out)	-	2,250	-	23,414	25,664
Proceeds From Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,250</u>	<u>-</u>	<u>23,414</u>	<u>25,664</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	33,105	(1,103)	1	24	32,027
Fund Balance - Beginning	<u>-</u>	<u>2,154</u>	<u>175</u>	<u>13</u>	<u>2,342</u>
Fund Balance - Ending	<u>\$ 33,105</u>	<u>\$ 1,051</u>	<u>\$ 176</u>	<u>\$ 37</u>	<u>\$ 34,369</u>

# CITY OF GRANT

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes			
Current	\$ 152,700	\$ 154,398	\$ 1,698
Trailer	305	310	5
Property Tax Administration Fee	<u>5,155</u>	<u>5,161</u>	<u>6</u>
	158,160	159,869	1,709
State Grants			
Shared Revenues	103,500	104,109	609
Business Licenses and Permits	<u>425</u>	<u>500</u>	<u>75</u>
	103,925	104,609	684
Charges for Services			
Fees and Penalties	1,440	1,793	353
Sales - Cemetery Openings, Lot	300	300	-
Sales and Foundations	585	640	55
Contracted Services	<u>7,300</u>	<u>7,016</u>	<u>(284)</u>
	9,625	9,749	124
Fines and Forfeits	6,825	6,832	7
Interest 1,500	2,228	728	
Rent (Community Building and Equipment)	43,075	45,902	2,827
Refunds and Rebates	350	711	361
Other - Miscellaneous	10,347	5,399	(4,948)
Water Tower Lease	8,000	8,675	675
Private Donations	550	550	-
Cable TV Franchise	<u>4,720</u>	<u>4,721</u>	<u>1</u>
	<u>75,367</u>	<u>75,018</u>	<u>(349)</u>
Total Revenues	347,077	349,245	2,168
<b>Expenditures</b>			
Legislative			
City Commission and Mayor			
Salaries and Wages		6,000	
Social Security Tax		459	
Professional Services		2,966	
Printing and Publishing		381	
Membership and Dues		1,026	
Miscellaneous		354	
Transportation		50	
Education and Training		<u>40</u>	
Total Legislative	\$ 10,701	\$ 11,276	\$ (575)

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Government			
Elections			
Salaries and Wages		\$ 2,090	
Social Security Tax		160	
Printing and Publishing		228	
Transportation		93	
Contracted Services		930	
Supplies		<u>486</u>	
	\$ 3,988	3,987	\$ 1
Assessor			
Office Supplies		1,138	
Contracted Services		4,969	
Printing and Publishing		<u>191</u>	
	6,302	6,298	4
Clerk			
Salaries and Wages		47,084	
Social Security Tax		3,916	
Fringes	3,544		
Office and Operating Supplies		940	
Professional Services		800	
Telephone		1,560	
Dues and Memberships		598	
Transportation		1,323	
Miscellaneous		165	
Education and Training		352	
Contracted Service		100	
Printing and Publishing		524	
Capital Outlay		<u>620</u>	
	60,300	61,526	(1,226)
Treasurer			
Salaries and Wages		25,029	
Social Security Tax		1,915	
Office and Operating Supplies		1,053	
Miscellaneous		113	
Professional Services		800	
Contracted Services		100	
Telephone		1,074	
Transportation		122	
Dues and Membership		155	
Education and Training		213	
Capital Outlay		620	
Printing and Publishing		<u>1,405</u>	
	\$ 33,413	\$ 32,599	\$ 814



Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	
Board of Review				
Salaries and Wages			\$ 399	
Social Security Tax			31	
Printing and Publishing			208	
Miscellaneous			49	
Education and Training			<u>30</u>	
		\$ 721	717	\$ 4
City Hall and Grounds				
Salaries and Wages			1,302	
Social Security Tax			100	
Operating and Maintenance Supplies			513	
Public Utilities			6,200	
Repairs and Maintenance			1,231	
Refunds			1,132	
Contracted Services			95	
Capital Outlay			<u>840</u>	
		10,338	11,413	(1,075)
Cemetery				
Salaries and Wages			3,408	
Social Security Tax			261	
Supplies		<u>152</u>		
		<u>3,491</u>	<u>3,821</u>	<u>(330)</u>
Total General Government		118,553	120,361	(1,808)
Public Safety				
Police Department				
Salaries and Wages			64,466	
Social Security Tax			4,948	
Fringes	2,128			
Office and Operating Supplies			3,241	
Professional Services			1,768	
Contracted Services			138	
Education and Training			-	
Telephone			1,554	
Transportation			5,248	
Uniforms	51			
Printing and Publishing			-	
Membership and Dues			194	
Miscellaneous			639	
Capital Outlay			<u>4,500</u>	
		\$ 90,941	\$ 88,875	\$ 2,066

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Planning Commission			
Salaries and Wages		\$ 60	
Social Security Tax		5	
Education and Training		<u>300</u>	
	\$ 365	365	\$ -
Zoning Commission			
Salaries and Wages		21	
Social Security Tax		2	
Printing and Publishing		126	
Education and Training		<u>173</u>	
	<u>426</u>	<u>322</u>	<u>104</u>
Total Public Safety	91,732	89,562	2,170
Public Works			
Department of Public Works			
Salaries and Wages		14,583	
Social Security Tax		1,328	
Fringes	1,380		
Office Supplies		152	
Operating and Maintenance Supplies		5,156	
Contracted Services		3,933	
Telephone		126	
Transportation		8,802	
Utilities		2,248	
Miscellaneous		40	
Uniforms 364			
Printing and Publishing		<u>53</u>	
	39,289	38,165	1,124
Drains	3,316	3,315	1
Street Lighting	<u>16,300</u>	<u>17,114</u>	<u>(814)</u>
	<u>19,616</u>	<u>20,429</u>	<u>(813)</u>
Total Pubic Works	\$ 58,905	\$ 58,594	\$ 311

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Recreation and Culture			
Parks			
Salaries and Wages		\$ 2,087	
Social Security Tax		160	
Operating and Maintenance Supplies		96	
Utilities		85	
Water Tower Lease		1,200	
Contracted Services		80	
Miscellaneous		<u>691</u>	
	\$ 3,864	4,399	\$ (535)
Library	<u>1,031</u>	<u>1,030</u>	<u>1</u>
Total Recreation and Culture	4,895	5,429	(534)
Other Functions			
Health and Life Insurance		13,518	
Other Insurance			
Property/Liability		5,131	
Worker's Compensation		1,036	
Economic Development		<u>3,200</u>	
Total Other Functions	<u>23,382</u>	<u>22,885</u>	<u>497</u>
Total Expenditures	<u>308,168</u>	<u>308,107</u>	<u>61</u>
Excess Revenues Over (Under) Expenditures	38,909	41,138	2,229
Other Financing Sources (Uses)			
Operating Transfers Out	(2,250)	(2,250)	-
Sale of Capital Assets	<u>59,000</u>	<u>59,006</u>	<u>6</u>
Total Other Financing Sources (Uses)	<u>56,750</u>	<u>56,756</u>	<u>6</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 95,659</u>	97,894	<u>\$ 2,235</u>
Fund Balance - Beginning		<u>127,187</u>	
Fund Balance - Ending		<u>\$ 225,081</u>	

# CITY OF GRANT

## Water Fund Balance Sheets June 30, 2005 and 2004

	<u>06/30/05</u>	<u>06/30/04</u>
<b>ASSETS</b>		
Cash - Receiving	\$ 50,274	\$ 25,814
Cash - Operating	26,971	30,759
Accounts Receivable	37,752	35,769
Due From Other Funds	-	-
Property, Plant and Equipment	3,144,895	3,140,394
Less Accumulated Depreciation	(557,071)	(495,136)
Restricted Assets		
Cash - Debt Service	1,641	1,634
Cash - Reserved	36,000	36,000
Cash - Replacement/Improvement	<u>213,568</u>	<u>212,259</u>
Total Assets	<u>2,954,030</u>	<u>2,987,493</u>
<b>LIABILITIES</b>		
Accounts Payable	442	303
Accrued Wages	5,549	4,313
Current Long-Term Debt	8,000	8,000
Bond Debt	<u>518,000</u>	<u>526,000</u>
Total Liabilities	<u>531,991</u>	<u>538,616</u>
<b>NET ASSETS</b>		
Invested in Capital Assets		
Net of Related Debt	2,061,824	2,111,258
Restricted	251,209	249,893
Unrestricted	<u>109,006</u>	<u>87,726</u>
Total Net Assets	<u>\$ 2,422,039</u>	<u>\$ 2,448,877</u>

# CITY OF GRANT

## Statement of Revenues, Expenses and Changes in Retained Earnings - Water Fund For the Year Ended June 30, 2005 and 2004

	<u>June 30, 2005</u>		<u>June 30, 2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Operating Revenue</b>			
Fees	\$ 151,000	\$ 153,774	\$ 144,012
State Grants	-	-	5,763
Hook Ups	325	325	2,250
Miscellaneous	<u>5,066</u>	<u>5,090</u>	<u>2,245</u>
Total Operating Revenue	156,391	159,189	154,270
<b>Operating Expenses</b>			
Salaries and Wages	32,100	36,103	28,831
FICA	2,690	2,654	2,158
Fringe Benefits	1,890	1,808	1,189
Health and Life Insurance	10,940	11,919	10,731
Office and Operating Supplies	9,750	9,297	8,537
Professional Services	2,525	2,524	2,150
Contracted Services	6,200	6,169	14,722
Repairs and Maintenance	326	326	435
Utilities	7,000	7,369	7,030
Telephone	2,100	1,999	1,717
Education and Training	20	20	50
Printing and Publishing	565	993	249
Property and Liability Insurance	7,000	7,000	6,409
Workers Comp Insurance	1,647	1,647	1,834
Equipment Rental	8,100	8,461	7,633
Membership Dues	624	624	427
Depreciation	61,935	61,935	61,935
Miscellaneous	<u>558</u>	<u>386</u>	<u>179</u>
Total Operating Expenses	<u>155,970</u>	<u>161,234</u>	<u>156,216</u>
Operating Income	421	(2,045)	(1,946)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	3,775	1,907	2,273
Interest Expense	<u>(26,700)</u>	<u>(26,700)</u>	<u>(27,100)</u>
Total Non-Operating Revenues (Expenses)	<u>(22,925)</u>	<u>(24,793)</u>	<u>(24,827)</u>
Net Income (Loss)	<u>\$ (22,504)</u>	(26,838)	<u>\$ (26,773)</u>
Net Assets - Beginning		<u>2,448,877</u>	
Net Assets - Ending		<u>\$ 2,422,039</u>	

# CITY OF GRANT

## Sewer Operating Fund Balance Sheets June 30, 2005 and 2004

	<u>06/30/05</u>	<u>06/30/04</u>
<b>ASSETS</b>		
Cash	\$ 152,212	\$ 129,594
Accounts Receivable	34,545	33,895
Due From Other Funds	-	-
Property, Plant and Equipment	2,526,296	2,521,796
Less Accumulated Depreciation	(733,164)	(685,322)
Restricted Assets		
Cash - Debt Service	3,049	5,594
- Reserved	<u>40,000</u>	<u>40,000</u>
Total Assets	<u>2,022,938</u>	<u>2,045,557</u>
 <b>LIABILITIES</b>		
Accounts Payable	\$ 692	\$ 141
Accrued Wages	5,549	4,315
Current Long-Term Debt	12,000	12,000
Bond Debt	<u>375,000</u>	<u>387,000</u>
Total Liabilities	<u>393,241</u>	<u>403,456</u>
 <b>NET ASSETS</b>		
Invested in Capital Assets		
Net of Related Debt	1,406,132	1,437,474
Restricted	43,049	45,594
Unrestricted	<u>180,516</u>	<u>159,033</u>
Total Net Assets	<u>\$ 1,629,697</u>	<u>\$ 1,642,101</u>

# CITY OF GRANT

## Statement of Revenues, Expenses and Changes in Retained Earnings - Sewer Operating Fund For the Year Ended June 30, 2005

	<u>June 30, 2005</u>		<u>June 30, 2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Operating Revenue</b>			
Fees	\$ 140,000	\$ 141,221	\$ 136,204
Miscellaneous	<u>1,359</u>	<u>1,210</u>	<u>3,247</u>
Total Revenues	141,359	142,431	139,451
<b>Operating Expenses</b>			
Salaries and Wages	32,100	36,103	28,831
FICA	2,690	2,654	2,158
Fringe Benefits	1,886	1,808	1,189
Office and Operating Supplies	12,570	14,129	10,421
Professional Services	2,703	2,702	2,296
Contracted Services	17,950	17,866	14,136
Repairs and Maintenance	296	294	2,055
Health and Life Insurance	10,940	11,919	10,731
Utilities	16,500	15,659	14,775
Telephone	800	734	757
Education and Training	20	20	-
Printing and Publishing	-	-	503
Property and Liability Insurance	8,000	8,000	7,300
Workers Comp Insurance	1,647	1,647	1,834
Equipment Rental	4,000	3,456	5,223
Uniforms	100	100	-
Depreciation	49,000	47,842	48,202
Miscellaneous	<u>390</u>	<u>384</u>	<u>909</u>
Total Operating Expenses	<u>161,592</u>	<u>165,317</u>	<u>151,320</u>
Operating Income (Loss)	(20,233)	(22,886)	(11,869)
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	465	1,052	1,770
Property Taxes/User Fees (For Debt Service)	29,015	29,080	81,871
Interest Expense	<u>(19,650)</u>	<u>(19,650)</u>	<u>(33,175)</u>
Total Non-Operating Revenue	<u>9,830</u>	<u>10,482</u>	<u>50,466</u>
Net Income (Loss)	<u>\$ (10,403)</u>	(12,404)	<u>\$ 38,597</u>
Net Assets - Beginning		<u>1,642,101</u>	
Net Assets - Ending		<u>\$ 1,629,697</u>	



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



Report on Internal Control and Compliance Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

City Commission  
City of Grant  
Grant, MI 49327

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2005, and have issued our report thereon dated July 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Grant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Commission, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hendon & Slate*

Hendon & Slate, P.C.  
Certified Public Accountants  
July 28, 2005

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# Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



August 16, 2005

City Commission  
City of Grant  
Grant, Michigan 49327

Dear Council Members:

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2005 and issued our report thereon dated July 28, 2005. As part of our audit, we studied and evaluated the City's accounting and administrative controls as well as compliance with laws having a bearing on the fair presentation of your financial statements. Because this study was only part of the overall audit plan, it is not intended to be a complete review of all your accounting procedures; and, therefore, would not necessarily disclose all weaknesses in your system. Accordingly, we offer the following comments and recommendations.

## **Books and Records**

The clerk and treasurer continue to maintain a complete set of accounting records. Although some auditing adjustments were required, the number and type of adjustments were reasonable.

Currently the clerk and treasurer have been maintaining the accounting records, specifically the general ledger and the receipts and disbursements ledger manually, although Quickbooks is used to write checks. After further review of the information in Quickbooks, the City is not too far off from computerizing the accounting records. With some minor adjustments, and maybe some training on Quickbooks, the City could take advantage of a computerized accounting system with little cost.

What benefit would the City obtain from a computerized system? It would be more efficient to record all information in Quickbooks as it would eliminate the need to prepare the general ledger and receipts and disbursements journal by hand. It is very time consuming for the clerk and treasurer to post figures to these ledgers, especially when most of the information is already in Quickbooks. Second, the books would be complete at any given point. As long as the deposits were entered timely, anyone could get a current financial report in minutes.

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Another benefit is accuracy. If the clerk and treasurer are working under one system, it could help eliminate some of the errors that typically occur with manual records. We are confident more benefits would arise once the clerk and treasurer became increasingly familiar with Quickbooks.

### **Trust and Agency Fund**

Last year the City did not disburse property taxes in accordance with Michigan Department of Treasury's MCL 211.43. We want to commend the City for taking the appropriate measures this year to insure compliance with the Michigan Department of Treasury.

### **Water and Sewer Billings**

The water and sewer billings continue to be recorded on the cash basis, while generally accepted accounting principles requires these billings to be reported on the accrual basis. Recording the billings on the accrual basis would allow the clerk and treasurer to reconcile amounts recorded in the accounting records to reports from the water and sewer billing system. This provides a check and balance system to help insure the water and sewer billings are properly accounted for.

### **F-65 Available On-Line**

Just a reminder that form F-65 can be downloaded from the Michigan Department of Treasury's web site in either Excel or PDF formats. These forms can be accessed from [www.michigan.gov/treasury](http://www.michigan.gov/treasury) then click on the local government tab and select forms/instructions. Hopefully this will make it easier to complete the F-65.

### **Qualifying Statement (Form 3883)**

This is the second year The State of Michigan has required the Municipal Finance Qualifying Statement to be filed on-line. It appears many local government have forgotten to complete this statement. Please visit [www.michigan.gov/treasury](http://www.michigan.gov/treasury) to complete this form.

### **Operating Statistics**

The financial condition of the City has remained stable over the past several years. The General Fund fund balance is approximately 73% of expenditures, which represents an operating cushion of approximately 8 months, which is up from 5 months a year ago. 18% or approximately 2 months was from the sale of the old library building.

August 16, 2005

Page 3

Attached is additional information, including graphs over the past six years. Following are some items we would like to bring to your attention:

- General Fund Revenues remained constant compared to last year. The only significant increase was from the sale of the old library.
- Police Department expenditures decreased approximately \$15,000. Wages, office supplies, and transportation made up the largest decreases.
- DPW expenditures decreased \$8,000. Of this, wages decreased \$5,000, capital outlay decreased \$6,900, and transportation increased 3,900.

We appreciate the courtesy extended to us during the course of the audit and look forward to working with the City in the future. If you have any questions we will be happy to assist the City in any way.

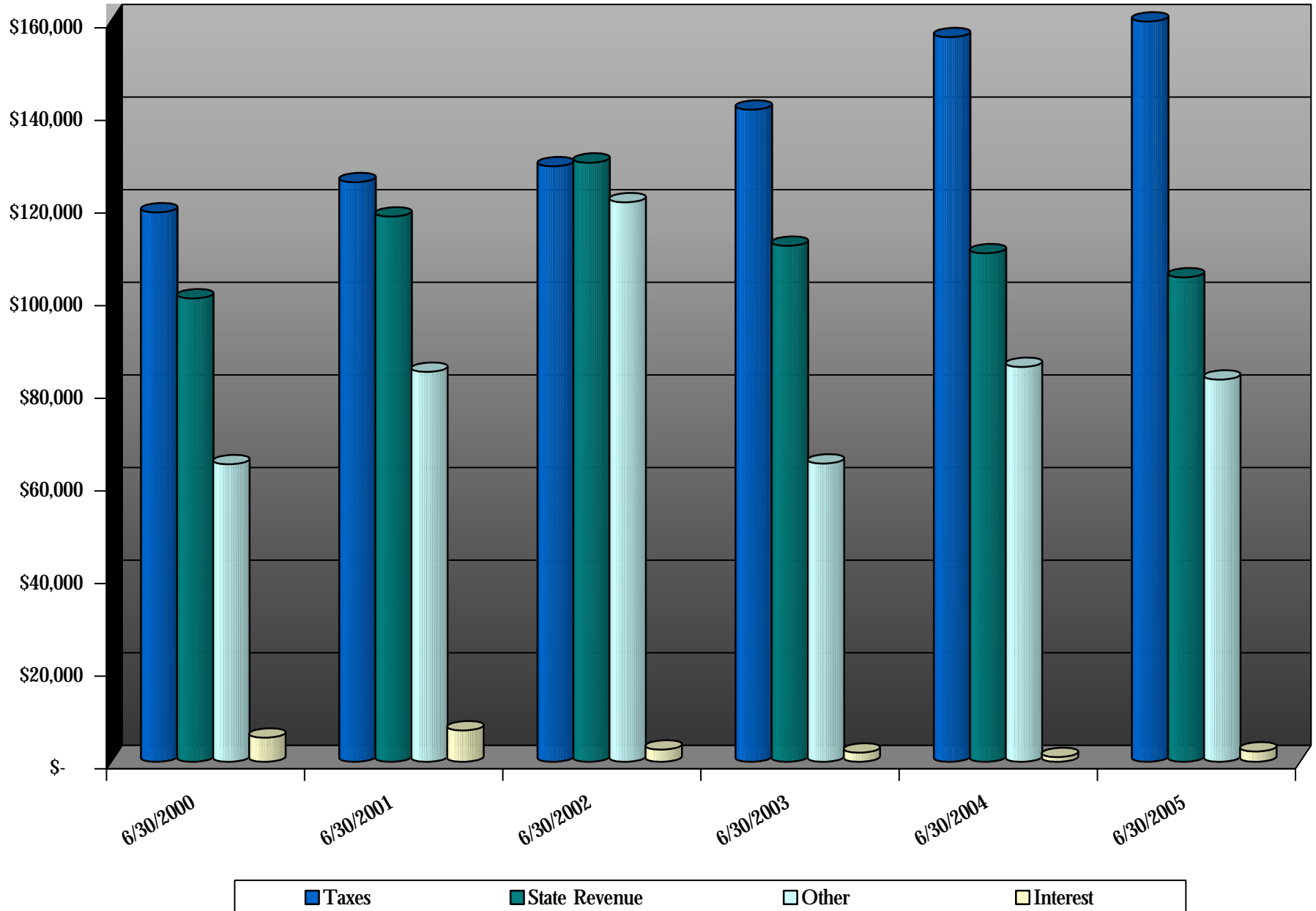
Respectfully submitted,

*Hendon & Slate*

Hendon & Slate, P.C.  
Certified Public Accountants

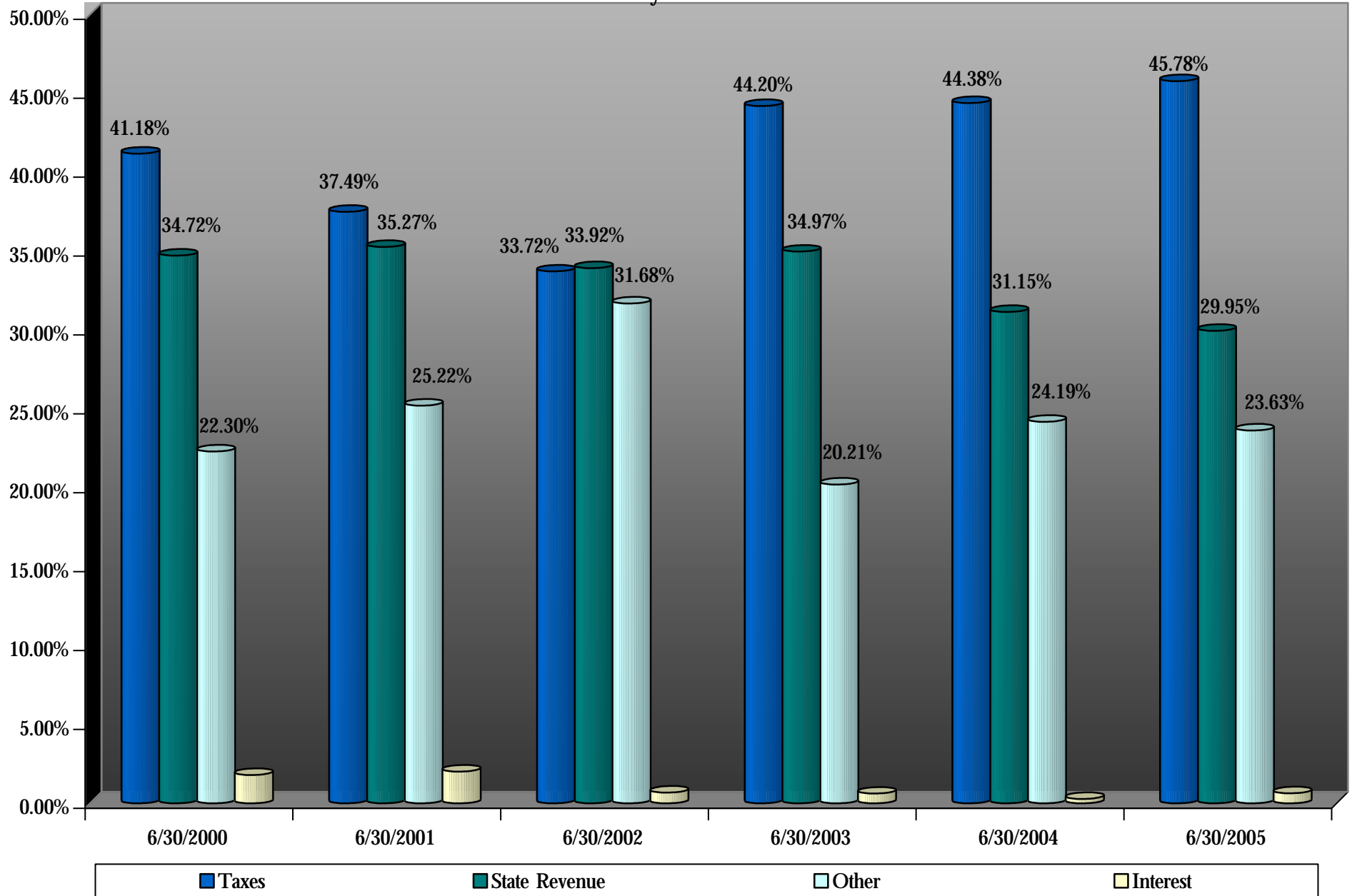
# CITY of GRANT

## Revenue Analysis - General Fund



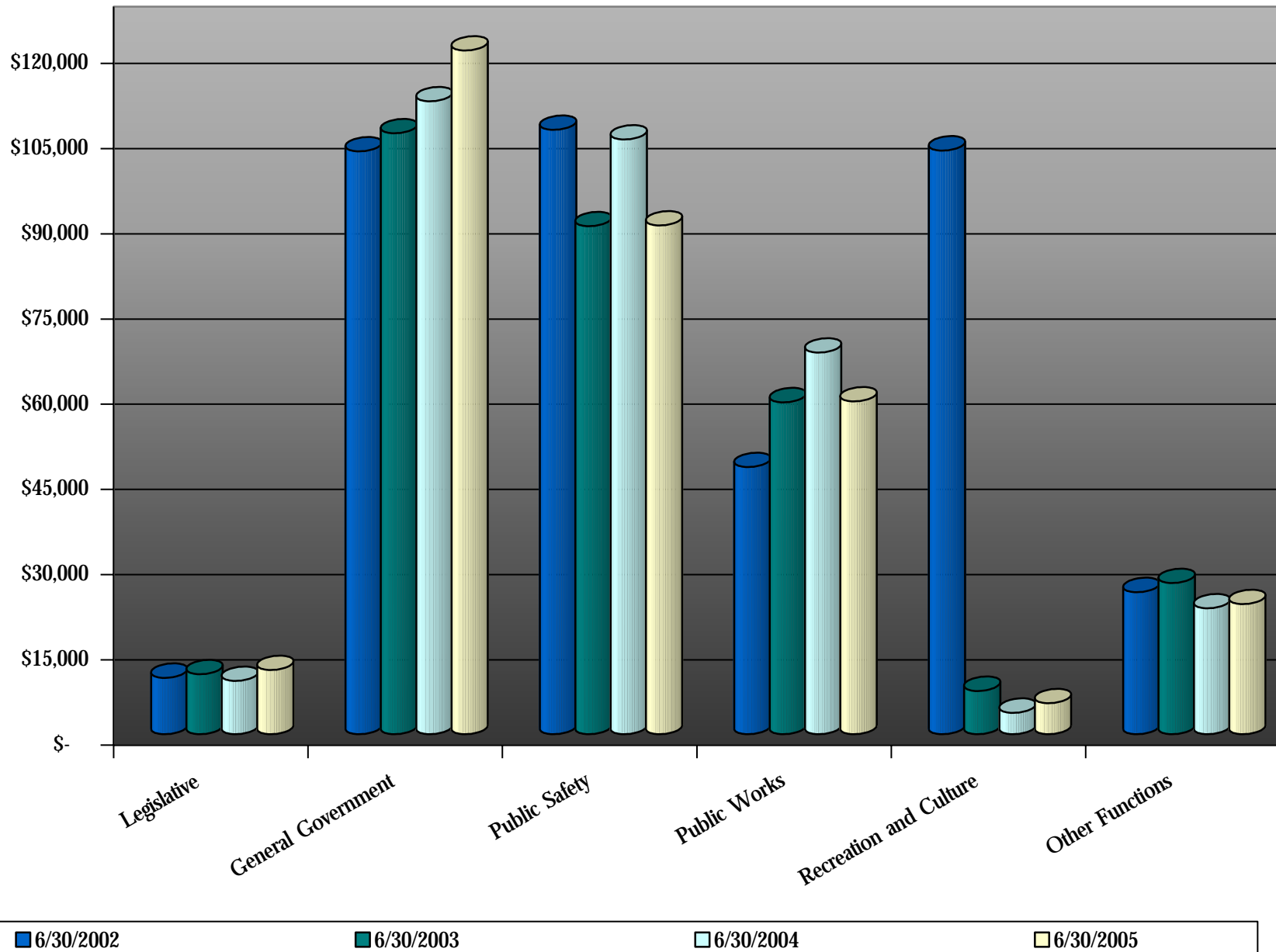
# CITY of GRANT

## Revenue Analysis - General Fund



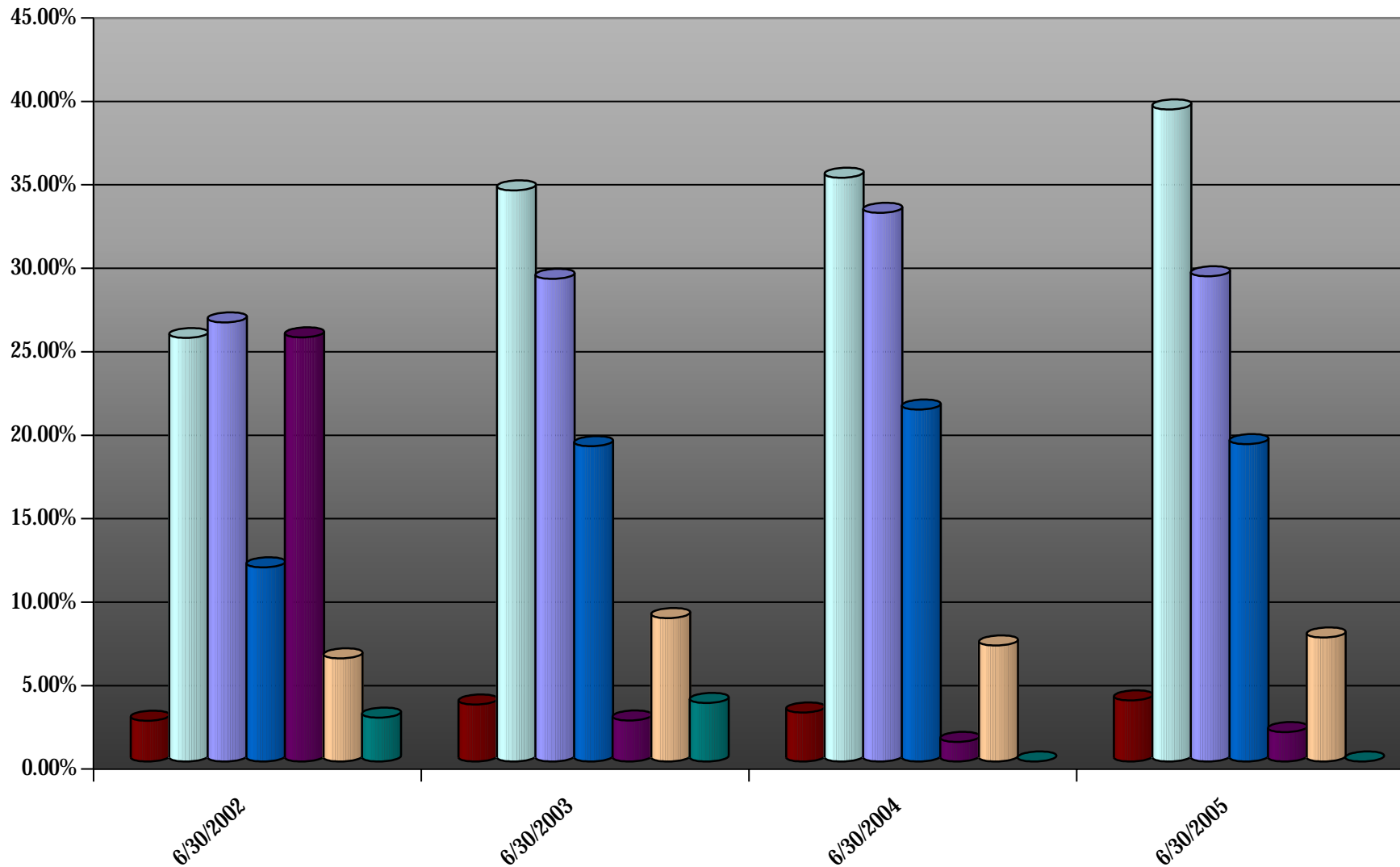
# CITY of GRANT

## Expenditure Analysis - General Fund



# CITY of GRANT

## Expenditure Analysis - General Fund



■ Legislative

■ General Government

■ Public Safety

■ Public Works

■ Recreation and Culture

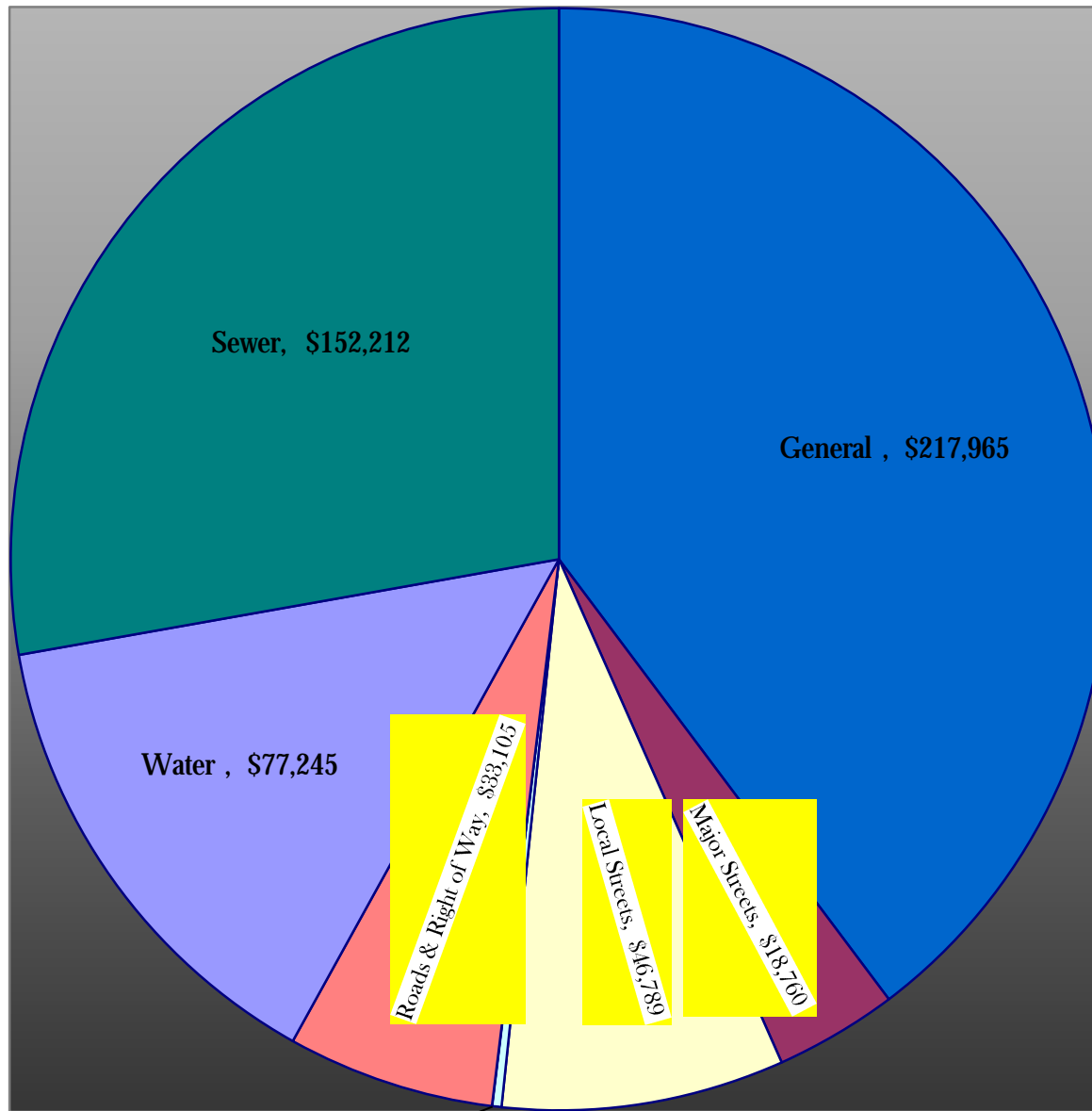
■ Other Functions

■ Debt Service

# CITY of GRANT

Undesignated Cash

June 30, 2005



Fire, \$1,051



# CITY of GRANT

Fund Balance  
June 30,2005

